

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Temple View Apartments, located at 3200 W. Temple Street in Los Angeles, requested and is being recommended for a reservation of \$540,511 in annual federal tax credits to finance the new construction of 58 units of housing serving tenants with rents affordable to households earning 50-60% AMI of area median income (AMI). The project will be developed by Ursitti Partners, LLC and is located in Senate District 51 and Assembly District 24.

Project Number CA-16-961

Project Name Temple View Apartments
Site Address: 3200 W. Temple Street
 Los Angeles, CA 90026 County: Los Angeles
Census Tract: 2086.100

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$540,511 | \$0 |
| Recommended: | \$540,511 | \$0 |

Applicant Information

Applicant: Temple View, LP
Contact: Rick Ursitti
Address: 466 Foothill Blvd., Suite 145
 LaCanada, CA 91011
Phone: (213) 949-5448 Fax: (213) 949-5448
Email: rick@ursitti.com

General Partner(s) or Principal Owner(s): Ursitti Temple, Inc.
 Search to Involve Pilipino Americans

General Partner Type: Joint Venture

Parent Company(ies): Ursitti Temple, Inc.
 Search to Involve Pilipino Americans

Developer: Ursitti Partners, LLC

Investor/Consultant: WNC & Associates, Inc.

Management Agent: Genessy Management and Development LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 59
 No. & % of Tax Credit Units: 58 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 Number of Units @ or below 50% of area median income: 6
 Number of Units @ or below 60% of area median income: 52

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: November 30, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Alex Ninh

Unit Mix

15 SRO/Studio Units
 2 1-Bedroom Units
 42 2-Bedroom Units

 59 Total Units

| <u>Unit Type & Number</u> | <u>2016 Rents Targeted % of Area Median Income</u> | <u>2016 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 1 SRO/Studio | 50% | 50% | \$760 |
| 14 SRO/Studio | 60% | 60% | \$912 |
| 1 1 Bedroom | 50% | 50% | \$814 |
| 1 1 Bedroom | 60% | 60% | \$977 |
| 4 2 Bedrooms | 50% | 50% | \$977 |
| 37 2 Bedrooms | 60% | 60% | \$1,173 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$1,955,626 |
| Construction Costs | \$9,408,308 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$462,863 |
| Relocation | \$0 |
| Architectural/Engineering | \$155,819 |
| Const. Interest, Perm. Financing | \$747,907 |
| Legal Fees, Appraisals | \$152,634 |
| Reserves | \$156,693 |
| Other Costs | \$496,210 |
| Developer Fee | \$1,668,674 |
| Commercial Costs | \$641,376 |
| Total | \$15,846,110 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$15,846,110 |
| Estimated Residential Project Cost: | \$15,204,734 |
| Estimated Commercial Project Cost: | \$641,376 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$200 |
| Per Unit Cost: | \$257,707 |
| True Cash Per Unit Cost*: | \$230,522 |

Construction Financing

| Source | Amount |
|-----------------------------|--------------|
| Citi Community Capital | \$11,039,412 |
| Seller Carryback Note | \$500,000 |
| Deferred Operating Reserves | \$169,488 |
| Deferred Developer Fee | \$1,668,674 |
| General Partner Equity | \$400,000 |
| Tax Credit Equity | \$2,068,811 |

Permanent Financing

| Source | Amount |
|-------------------------|---------------------|
| Citi Community Capital | \$7,442,513 |
| Seller Carryback Note | \$500,000 |
| Deferred Developer Fee | \$1,171,592 |
| General Partner Equity | \$400,000 |
| Solar Tax Credit Equity | \$89,100 |
| Tax Credit Equity | \$6,242,905 |
| TOTAL | \$15,846,110 |

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

| | |
|--|------------------------|
| Requested Eligible Basis: | \$12,793,166 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$16,631,116 |
| Applicable Rate: | 3.25% |
| Total Maximum Annual Federal Credit: | \$540,511 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$1,668,674 |
| Investor/Consultant: | WNC & Associates, Inc. |
| Federal Tax Credit Factor: | \$1.15500 |

Per Regulation Section 10322(h)(9)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

| | |
|---------------------------------------|--------------|
| Requested Unadjusted Eligible Basis: | \$12,793,166 |
| Actual Eligible Basis: | \$12,793,166 |
| Unadjusted Threshold Basis Limit: | \$14,590,724 |
| Total Adjusted Threshold Basis Limit: | \$16,049,796 |

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Los Angeles Housing Department, has completed a site review of this project and supports this project.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

| | |
|-----------------------------------|--------------------------------|
| Federal Tax Credits/Annual | State Tax Credits/Total |
| \$540,511 | \$0 |

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: None.